

## **NOTES TO THE BALANCE SHEET as of September 30, 2010**

### **BASIC PARTICULARS ON THE COMPANY**

Company "Sojaprotein" A.D., with registered office in Becej, Industrijska Zona bb was incorporated in 1985 as a socially-owned company.

From 2001 the Company has been operating as a joint stock company.

Privatization procedure was initiated by issue of internal shares to employees in 1991 and closed by disposal of shares included in the Share Fund Portfolio in 2002. From October 26, 2007 the Company's shares have been listed on exchange market – A Listing of Beogradska Berza a.d. Begrade (Belgrade Exchange).

Company's core activity is production of crude oils and fats.

"Sojaprotein" A.D., Becej ("Company") is the leading soybean processor in Serbia and one of the major processors in the region of Central and Eastern Europe.

In the first quarter of 2009 pooling of operating functions for fulfillment of requirements of several Members at the level of Victoria Group was completed, i.e. contracting the production and procurement of raw materials, transport and storage of goods as well as reorganization of the structure of production and production programs within the companies-members of the Group. From January 1, 2009, after implemented reorganization "Victoria Logistic" DOO Novi Sad has been performing the contracting of production and procurement of raw materials formerly conducted by the Company.

On the basis of the Decision on Increase of the Capital Stock by the Company Funds and the Decision on the 9<sup>th</sup> issue of ordinary shares for increase of the capital stock from the retained profit without public offering passed on the Meeting of "Sojaprotein"A.D. held on June 30, 2010, the Securities Commission has approved the 9<sup>th</sup> issue of 2,223,540 ordinary shares with voting rights with no par value and total book value of RSD 1,030,969,678.26 under its Decision No. 4/0-24-3242/4-10 dated July 22, 2010. Registration of the 9<sup>th</sup> issues of shares with the Central Securities Depository and Clearing House was made on August 13, 2010 and, accordingly, the capital stock of the Company has been increased by RSD 1,030,969,678.26 and the total number of shares by 2,223,540 ordinary shares with voting rights. Therefore, after the performed increase the Company's capital stock amounts to RSD 4,564,674,191.21 and it is divided in 9,844,844 shares with no par value and book value of RSD 463.661404 per share.

As of September 30, 2010 ten major shareholders in the capital structure hold 74,69% of the total share capital

There was 384 employees on the Report preparation date.

### **2. BASES FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND THE ACCOUNTING POLICIES**

Pursuant to the Law on Accounting and Audit ("Official Gazette of the Republic of Serbia", No. 46 dated June 2, 2006) legal entities and entrepreneurs incorporated in the Republic of Serbia are obliged to maintain business books, recognize and evaluate their assets and liabilities, revenues and expenses and to prepare, present, submit and disclose their financial statements in accordance with the legal and professional regulations, i.e. the Framework for the Preparation and Presentation of Financial Statements ("the Framework"), International Accounting Standards ("IAS"), i.e. International Financial Reporting Standards ("IFRS") as well as interpretations which make an integral part thereto.

The Framework and IAS in effect as of December 31, 2002 were determined under the Decision issued by the Minister of Finance of the Republic of Serbia (No. 011-00-738-2003-01 dated December 30, 2003) whereupon both, the former and current Law on Accounting and Audit 2006 and Amendments and Supplements to the Law on Accounting of December 30, 2009 are based.

Changes in IAS, as well as the new IFRS and corresponding interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, respectively, were officially adopted after the date mentioned above under the Decision on Publishing of International Financial Reporting Standards issued by the Minister of Finance of the Republic of Serbia (No. 401-00-

11/2008-16) and they were published in the "Official Gazette of the Republic of Serbia" No. 16 of February 12, 2008.

**NOTE 1 – NON-PRODUCTION INVESTMENTS**

Company presented the non-production investments in the amount of RSD 7,369 thousand. Non-production investments are initially valued at their purchase price when procured or at cost when created within the Company. After the initial recognition, non-production investments are carried at their purchase value or cost reduced for total amortization and total losses resulting from impairment.

**NOTE 2 – PROPERTY, PLANTS AND EQUIPMENT**

As of September 30, 2010 the Company presented property, plants and equipment in the amount of RSD 3,736.125 thousand. All assets classified in this group are carried at fair value (evaluation performed in 2005 by an independent appraiser). Depreciations was calculated by applying the STRAIGHT LINE method on the purchase price.

As of September 30, 2010 investments in progress amounted to RSD 655,072 thousand. Total investments in 2010 included investments in facilities under construction of RSD 142,350 thousand and in equipment and plants under construction of RSD 512,722 thousand. Major investments in progress are as follows:

1. SPI/SPC PLANT - Project documentation /6751/	RSD 55.941 thousand
2. TSP Plant /1443,1444/	RSD 64.291 thousand
3. B&G Plant /1439,1441/	RSD 32.766 thousand
4. Wells II,III,IV /7013-7015/	RSD 19.069 thousand
5. Extruder and separator /7537/	RSD 122.575 thousand
6. "Wenger" drier /7538,7539/	RSD 92.096 thousand
7. BTH packing machine /7468/	RSD 99.359 thousand
8. Soybean grinding line /7494/	RSD 58.395 thousand
9. Mills /7505,7506/	RSD 25.737 thousand
10. Bag filling machine /7652/	RSD 29.625 thousand
11. Mills *ALPINA* /7686/	RSD 7.589 thousand

Investment in construction of the Soybean Protein Isolates and Concentrates Plant has been continued. The first phase of the investment has commenced and includes the construction of Traditional Soybean Concentrates Plant of annual capacity of 70,000 tons. Negotiation on contracting the equipment and performance of works are currently in progress. Commencement of construction is planned in March 2011 and its completion in September 2011. Total value of the first phase of the investment – construction of the Traditional Soybean Concentrates Plant – amounts to EUR 22.5 million, of which the Company has already invested approximately EUR 4 million. Bearing in mind that the soybean concentrates represent a product with the highest level of finalization as well as their wide use within the animal food products industry, production of the milk replacement products and human consumption, the Company is expecting significant increase of revenues gained by sale of the soybean concentrates. After completion of the first phase of the investment, the Company will commence the implementation of second phase which includes the production of functional soybean concentrates, and thereafter the third phase as well – production of the soybean protein isolates. The investment in progress is reconstruction of the B&G and TSP Plants. Installation and putting into operation of the new extruder line produced by Wenger is completed. The procured equipment provides doubling of current capacities in production of textures and improved product quality and range. Furthermore, a new grinding line of the German manufacturer "Bauermaister" has been installed which provides increased capacities for soybean flour production by 50%. The trial run commenced in March 2009, as well as a new packing line of

<p>all products located in the B&amp;G and TSP Plant. The investments were made with intention of increasing the capacities for production of soybean products for food industry and human consumption.</p> <p>In the first quarter of 2010, the additional equipment was contracted to improve the quality and achieve more efficient filling and packaging as well as increase of full-fat substances production. A new packaging line and mill for full-fat substances grinding were installed. Total value of the investment amounted to EUR 500,000.</p> <p>Advances paid within this investment amounted to RSD 362,315 thousand.</p>	
<b>NOTE 3 – INVESTMENT ASSETS</b>	
As of June 30, 2010 the investment assets amounted to RSD 332,035 thousand and relate to :	
1. MIXING PLANT in B.Palanka	RSD 26.280 thousand
2. WAREHOUSE in B.Palanka	RSD 2.842 thousand
3. MASTER CENTER	RSD 81.302 thousand
4. SILO in B.PALANKA	RSD 221.611 thousand
The silo was leased to “Victoria Logistic” on June 1, 2009 for storage of agricultural products.	
<b>NOTE 4 – STAKES IN CAPITAL</b>	
The Company has stakes as follows:	
1. Stakes in subsidiaries :	RSD 784.730 thousand
- «VOBEX INTERSOJA» Moskva - 85,00%	RSD 1.112 thousand
- «VETERINARSKI ZAVOD»AD Subotica - 59,17%	RSD 783.618 thousand
2. Stakes in other related legal entities :	RSD 64.626 thousand
This group includes stakes in the capital of following companies:	
- Hotel»BELA LAĐA» AD Bečej 31,81%	
3. Stakes in capital of other legal entities :	RSD 8.618 thousand
This group includes stakes in the capital of several other legal entities but, however, each individual stake does not represent a substantially significant items.	
<b>NOTE 5 – OTHER LONG-TERM FINANCIAL INVESTMENTS</b>	
Company presented long-term financial investments in the amount of RSD 11,533 thousand.	
Showed reduce as compared to the previous period is a result of transfer of conditioned loans granted for construction of the storage capacities to the company “Victoria Logistic”D.O.O.Novi Sad. These transfer of receivables constitutes an integral part of reorganizations and pooling of procurement of raw materials, transport and storage of goods which are performed by the company “Victoria Logistic” within the “VictoriaGroup” as of the year 2009.	
<b>NOTE 6 – INVENTORIES</b>	
Company presented in its balance sheet inventories in the amount of:	RSD 4.669.774 thousand
Within inventories stocks of raw materials and material were most significant and amounted to RSD 1,052,339 thousand, of which the basic raw material (soybean grain) amounted to RSD 838,475 thousand calculated at average purchase price, i.e. in volume of 27,947,976 kg JUS soybean grain.	
Inventories of merchandise amounted in total to RSD 57,491 thousand and major stocks were recorded as follows:	RSD 9.673 thousand
- Sunflower 327,924 kg	
Value of merchandise on stock is carried at average purchase price.	
In the first nine months of 2010, 155,334,621 kg of JUS soybean grain was processed.	
Value of finished products on stock amounted to RSD 326,285 thousand as of September 30, 2010, and the major stocks of finished products were as follows:	
- Soybean oil 1,084,860 kg, i.e. in value of RSD 21,725 thousand	

<ul style="list-style-type: none"> <li>- Soybean meal 4,771,665 kg, i.e. in value of RSD 162,243 thousand</li> <li>- Soybean meal as intermediary products 1,394,347 kg, i.e. in value of RSD 47,408 thousand.</li> </ul>	
<p>Produced volume of crude soybean oil in 2010 was 29,228,900 kg, and soybean meal 92,701,112 kg.</p> <p>Cost of finished products is determined on the basis of actual consumption of raw materials which are established through production orders issued in production increased for corresponding variable costs.</p>	
The amount of RSD 3,232,948 thousand relates to prepayments made for raw materials.	
<b>NOTE 7 – RECEIVABLES</b>	
Company presented in its balance sheet total receivables in the amount of RSD 5,047,549 thousand, as follows:	
- Receivables from parents amounted to	RSD 350.589 thousand
Major share of these receivables amounting to RSD 320,065 thousand related to Victoriagroup and the remaining balance of RSD 30,524 thousand related to Veterinarski Zavod Subotica – all based on sales of goods that will be collected in the next period.	
- Receivables from related legal entities amounted to	RSD 3.353.279 thousand
Major share of receivables from related legal entities related to Victoria logistic in the amount of RSD 2,334,772 thousand resulting from supplied soybean meal of RSD 398,143 thousand, supplied goods in the amount of RSD 1,903,433 thousand as prepayments for buy-up of soybean grain – crop 2010, as well as RSD 33,196 thousand for lease of silo and storage services.	
Receivables from Victoria-Oil, Sid for the goods supplied amounting to RSD 1,016,060 thousand will be compensated or paid in the fourth quarter of 2010.	
- Domestic trade receivables amounted to	RSD 712.270 thousand
Receivable amounting to RSD 199,462 thousand mainly relates to the financing of soybean grain – crop 2010 and it will be compensated and settled in kind by supply of soybean grain in the buy-up period. A share of the receivable amounting to RSD 422,957 thousand originates from regular commercial sales of products within the current production program, and its major portion relates to sales of soybean meal and the remaining balance to soybean products and goods.	
- Foreign trade receivables amounted to	RSD 496.612 thousand
Receivables amounting to RSD 496,612 thousand originate from regular commercial sales of oil, meal and higher processing stage products on foreign markets.	
- Receivables from specific transactions and state authorities amounted to	RSD 35.970 thousand
Major receivables from specific transactions are receivables from “Srbokoka” Jagodina in the amount of RSD 17,890 thousand under the Contract on Long-term Credit.	
- Other receivables amounted to	RSD 98.829 thousand
Other receivables relate to Fertil Backa Palanka on the basis of Contract on Assignment of Receivables in the amount of RSD 25,009 thousand and a share of export incentives amounting to RSD 53,069 thousand.	
<b>NOTE 8 – SHORT-TERM FINANCIAL INVESTMENTS</b>	
As of September 30, 2010 short-term financial investments amounted to RSD 1,246,935 thousand. Their structure is as follows:	
<ul style="list-style-type: none"> <li>- Short-term borrowings granted to the parent in the amount of RSD 1,142,565 thousand;</li> <li>- Other short-term investments in the amount of RSD 104,370 thousand.</li> </ul>	
<b>NOTE 9 - OFF-BALANCE ASSETS</b>	

As of September 30, 2010, the off-balance assets amounted to RSD 8,224,864 thousand. The amount of RSD 7,995,573 relates to guaranties and warranties.

"Sojaprotein" mainly grant sureties to related legal entities and in some individual cases to its business partners on the basis of long standing business cooperation.

The amount of RSD 229,291 thousand relates to goods of others stored in our warehouses – primarily sunflower

**NOTE 10 – CAPITAL STOCK**

As of September 30, 2010 the Company capital stock amounted to RSD 4,564,674 thousand. Order of top 10 shareholders by the number of shares held as of September 30, 2010 was as follows:

VICTORIA GROUP N.Sad – 62.94%, Privredna banka Zagreb – 3,13%, Gustavus Capital Asset Mngt.- 1.73%, Hypo Kastodi 4 - 1,22%, Raiffeisen Zentralbank - 1,25%, SG Splitska banka – 0.86%, Unicredit bank Austria AG - 0,85%; NLB Klijenti -0,89%, Societe Generale Yugoslav bank–0,80%, Erste bank Custody – 1.02%

On its regular annual session held on June 30, 2010 the Company Meeting passed the Decision on increase of the "Sojaprotein" A.D. Becej capital stock from the retained profit in amount of RSD 1,030,969,678.25 by 9<sup>th</sup> issue of 2,223,540 new shares with no par value and book value of RSD 463.661404 per share. In accordance with the records maintained by the Central Securities, Depository and Clearing House, existing Company shareholders on the Decision date (June 30, 2010) are entitled to free shares on the basis of capital stock increase pro rata to their stake in the current Company capital stock.

The Securities Commission has approved the 9<sup>th</sup> issue of 2,223,540 ordinary shares with voting rights with no par value and total book value of RSD 1,030,969,678.26 under its Decision No. 4/0-24-3242/4-10 dated July 22, 2010. The registration of the 9<sup>th</sup> issues of shares with the Central Securities Depository and Clearing House was made on August 13, 2010 and, accordingly, the capital stock of the Company has been increased by RSD 1,030,969,678.26 and the total number of shares by 2,223,540 ordinary shares with voting rights. Therefore, after the performed increase the Company's capital stock amounts to RSD 4,564,674,191.21 and it is divided in 9,844,844 shares with no par value and book value of RSD 463.661404 per share.

**NOTE 11 – PROFIT OF THE CURRENT PERIOD**

Profit of the current period amounts to RSD 283,528 thousand.

**NOTE 12 – LONG-TERM PROVISIONS**

Long-term provisions for severance pays and jubilee awards (applying IAS 19) amounted to RSD 44,981 thousand.

**NOTE 13 – LONG-TERM LIABILITIES**

Long-term liabilities amounted to..... RSD 2.477.608 thousand  
The Item 'Long-Term Liabilities' includes foreign long-term credits and financial leasing.

Foreign long-term credits amounted to RSD 2,476,125 thousand.

	Currency	Initial Export	Value in foreign currency	09/30/2010.
European Bank	EUR	5,000,000	3.928.571,42	417.115
European Bank	EUR	10,000,000	5.000.000,00	530.874
Banka Koper	EUR	10,000,000	3.636.363,63	386.090
Vojvođanska banka a.d., Novi Sad (Paris Club) (The liability is disputed in the pending proceedings)	EUR	10,756,276,60	10.756.276,60	1.142.046
<b>Total liabilities</b>	EUR		23.321.211,65	2.476.125

Company is exposed to the interest rate and exchange rate risks for its entire credit indebtedness, since for all long-term credits the contracted interest rate is equal to EURIBOR – monthly, quarterly or semi-annual increased for the fixed margin.

Long-term liabilities with respect to financial leasing amounted to RSD 1,483 thousand.

**NOTE 14 – SHORT-TERM FINANCIAL LIABILITIES**

Short-term financial liabilities amounted to RSD 1,999,111 thousand and they include liabilities based on

domestic short-term credits, a share of long-term foreign credits that will become due within a year and share of liabilities related to the financial leasing that will become due within a year.

Domestic short-term credits amounted to RSD 1,898,797 thousand. Banks-Creditors are as follows:

Komercijalna banka 2.000.000 EUR – short-term credit with currency clause for export financing  
 Komercijalna banka 4.000.000 EUR – domestic short-term credit for export financing  
 Societe Gener. Bank 4.000.000 EUR – domestic short-term credit for working assets financing  
 Eurobanka EFG banka 1.000.000 EUR – domestic short-term credit for working assets financing  
 Credit Agricole banka 5.000.000 EUR – domestic short-term credit for working assets financing  
 Komercijalna banka RSD 200,000,000 - domestic short-term credit for export financing

Short-term credits are credits with maturity up to one year.

	Currency	Amount in currency	Amount in '000 RSD
Banka Koper	EUR	909.090,91	96.523
<b>Ukupne obaveze:</b>	EUR	<b>909.090,91</b>	<b>96.523</b>

Interest and exchange rate risks were present in case of short-term liabilities as well. The liability of RSD 96,523 thousand represents dinar equivalent of EUR 909,090.91 at the mean exchange rate of NBS prevailing as of September 30, 2010. Interest rate is fluctuating and depends on changes in EURIBOR (monthly, quarterly, i.e. semi-annual).

#### **NOTE 15 – OPERATING LIABILITIES**

Operating liabilities presented in the Balance Sheet amounted to RSD 1,694,962 thousand

These liabilities include as follows:

- liabilities for advances received in the amount of RSD 351,486 thousand.

These liabilities relate to successive supply of soybean grain which have been evenly taken over within the defined term.

- Liabilities for advances in foreign currencies amounted to RSD 64.765 thousand

- Liabilities to parents :

Amounted to RSD1.159 thousand

- Liabilities to related legal entities:

Amounted to RSD 662.433 thousand

Liabilities to parent and related legal entities will be settled with already existing receivables from them in the next quarter.

- Other domestic trade payables:

Amounted to RSD 156.198 thousand and include:

Liabilities in the amount of RSD 7,661 thousand originate from exchange of supplied soybean grain against soybean meal.

Liability for received soybean with corresponding costs – crop 2009 amounted to RSD 48,647 thousand.

Liabilities for received sunflower with corresponding costs - crop 2009 amounted to RSD 670 thousand.

All liabilities for raw materials will be compensated or paid in the next quarter.

On the basis of investment made in fixed assets the liabilities amounted to RSD 10,511 thousand and the remaining balance of RSD 88,709 thousand are other liabilities.

- Liabilities related to good not invoiced yet amounted to RSD 446,885 thousand.

- Foreign trade payables:

Amounted to RSD 12,036 thousand.

Becej, September 30, 2010

**LEGAL REPRESENTATIVE**

**Pavlović Branislava**